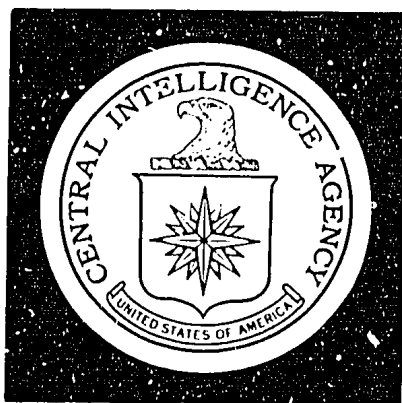


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# Intelligence Memorandum

*Beleaguered Lifelines: Shipping To Cambodia  
Since Sihanouk's Ouster*

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
February 1971

INTELLIGENCE MEMORANDUM

Beleaguered Lifelines:  
Shipping To Cambodia Since Sihanouk's Ouster

Introduction

Cambodia depends on imports for most of its supplies of crude oil, metals, cement, chemicals, machinery, and military equipment. These imports normally are paid for by exports of rice, rubber, and timber. Almost all of this foreign trade moves through the ports of Kompong Som (formerly Sihanoukville) on the Gulf of Siam and Phnom Penh on the Mekong River. The fighting in Cambodia since 18 March 1970 has disrupted this trade, and this memorandum examines the changes that have occurred in the volume and commodity composition of trade and in trading partners and carriers. Statistical data cover only the period through September 1970; subsequent developments are described in general terms.

Seaborne Trade

1. Cambodian seaborne trade has declined sharply since March 1970, dropping from 340,000 tons in the first quarter of 1970 to 247,000 tons in the second quarter and to 189,000 tons in the third quarter (see Table 1). The 45% decline from the first to the third quarter reflects similar percentage decreases in both imports and exports. The worst month during the January-September period was August, when imports dropped to 11,000 tons, little more than one-sixth of the average monthly volume in 1969.

*Note: This memorandum was prepared by the Office of Economic Research and coordinated within CIA.*

2. Among the commodities which could be identified in Cambodia's seaborne imports, petroleum, cement, metals, and foodstuffs suffered the sharpest declines [REDACTED]

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3. Most of Cambodia's principal exports also showed steep declines (see Table 3). Exports of foodstuffs, mostly rice, declined steadily after Sihanouk's removal and in the third quarter were less than 40% of the volume of the first quarter. Timber declined even more precipitously to less than one-tenth of the first quarter level. After rising in the second quarter, rubber exports almost ceased in the third quarter. Exports of petroleum products plummeted in the second quarter, when the Kompong Som refinery was closed for several weeks, and then rebounded in the third quarter to a volume more than 50% higher than in the first quarter. Although Cambodia normally exports some types of products, this resurgence probably stemmed in part from an accumulation of stocks at the refinery resulting from cutbacks in transportation to Phnom Penh and domestic demand for petroleum.

#### Changes in Trading Partners

4. The falloff in seaborne trade consisted of a decline in trade with Communist countries of roughly 50,000 tons and a drop in trade with the Free World of about 100,000 tons (see Table 4). Communist countries, which accounted for 15% of Cambodia's trade in the first quarter when China and North Vietnam were still trading partners, were responsible for only 6% of the second quarter trade, and for less than 1% of the third quarter trade. For Cambodia this meant the loss of sugar and cement

from North Vietnam (the sugar was originally from Cuba).<sup>\*</sup> There were no direct imports from any Communist countries after the first quarter, although there is evidence that some items of Soviet origin came in after transshipment at Singapore.

5. On the export side, Cambodia lost important Communist markets for timber [redacted]

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[redacted] and for rice [redacted]

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Although exports to China and North Vietnam stopped after Lon Nol came to power, there were significant exports to Czechoslovakia and the USSR of rice and pepper in the second quarter. At the beginning of the third quarter, even this trade ended. [redacted]

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6. Among the Free world countries, Cambodia's seaborne trade with Japan and Saudi Arabia showed the largest absolute declines from the first to the third quarter. Exports to Japan, which included large quantities of timber and fuel oil in the first quarter, dropped from 46,000 tons to only 4,000 tons. Imports from Japan dropped from 29,000 tons (mostly cement and metals) to 11,000 tons. Imports from Saudi Arabia, which consisted entirely of crude oil, dropped from 83,000 tons to 27,000 tons. Trade with both Singapore and South Vietnam increased, while Tunisia appeared as a trading partner for the first time in at least five years.

#### Changes in Flag Participation

7. Ship arrivals in Cambodia from foreign ports fell off dramatically from 113 in the first quarter of 1970 to 70 in the second quarter and 49 in the third. Because of their predominant role in the trade, Free World ships accounted for most of the decrease (see Table 5). Japanese ships, which held top position in the first quarter with 24 arrivals, made only two calls in the third quarter. Calls by British-flag ships dropped from 10

<sup>\*</sup> Although rice was imported from China during the first quarter this was an unusual occurrence and probably consisted of supplies for VC/NVA forces.

in the first quarter to one in the third, and calls by Singaporean-flag ships dropped from nine to zero.\*

8. Despite decreases in calls, Panamanian and French ships continued to play important roles after the first quarter and moved up to first and second place in the third quarter (with 17 and 14 calls, respectively). Cambodian ships, which made eight calls, occupied third place. During the third quarter Cambodia was visited for the first time by a Nationalist Chinese ship.

9. Communist ships, which have never called in great numbers, made only four calls during the first quarter and one each during the second and third quarters. There were no calls after the first quarter by Chinese or East European ships.

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#### Curtailment of Mekong River Traffic

10. The cutback in Cambodia's shipping and trade since last March occurred at both Kompong Som and Phnom Penh. The greatest drop from the first to the second quarter, in both absolute and relative terms, was at Phnom Penh, and from the second to the third quarter at Kompong Som, as shown in the following tabulation:

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11. Difficulties began at Phnom Penh little more than a month after Sihanouk was ousted. On 25 April two Japanese and three Panamanian ships came under fire about 40 miles south of the port. The ships sustained only minor damage and arrived safely at Phnom Penh, but they were not permitted to leave until 13 May.

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13. Even though the Mekong was reopened as far as Phnom Penh, it was difficult to find foreign shipowners who were willing to risk chartering their ships for this purpose. Moreover, it became difficult to assemble crews for the precarious river trip and to arrange letters of credit covering cargoes destined for Phnom Penh. The virtual disappearance of traffic on the Mekong depressed the volume of foreign trade handled at Phnom Penh in the third quarter to a level 78% below that of the first quarter.

Problems at Kompong Som

14. Kompong Som fared better than Phnom Penh, but still suffered a drop of 35% in total trade from the first to the third quarter. On the import side, the decrease was 39%, mostly attributable to the 50% drop in crude oil imports. Dry cargo imports decreased only 15%, as the cessation in imports from Communist countries\* was partly offset

\* All imports from Communist countries or carried by Communist ships were handled at Kompong Som because the South Vietnamese government prohibited goods of Communist origin or ships from Communist countries from transiting the Mekong.

by rerouting to Kompong Som the Free World cargoes that normally would have been delivered to Phnom Penh. Exports from Kompong Som decreased 29%. In this case, a 57% increase in exports of petroleum products cushioned a 48% drop in dry cargo exports.

15. For a short time after the isolation of Phnom Penh some export cargoes of rice, rubber, and timber were diverted to Kompong Som for shipment. After April, however, major segments of the railroad connecting Phnom Penh and Kompong Som were blocked by blown bridges or taken over by VC/NVA forces, and Route 4, the major all-weather road connecting Kompong Som with Phnom Penh, became subject to periodic interdiction. When the road was open, there were not normally enough trucks to carry the goods because of diversions of vehicles to the military. Although there were delays in clearing the port, the Cambodians managed to sustain their imports through Kompong Som rather well as attested by the moderate drop in dry cargo imports. They were unable, however, to get indigenous rice and timber to Kompong Som. Accumulated stocks of these goods at the port were soon depleted, and some scheduled export shipments had to be canceled.

16. Exports of rubber suffered less from lack of transport or interdicted roads than from war damage. Many rubber-producing facilities were damaged during the second and third quarters, but enough rubber had been processed to maintain exports at rather high levels through May when they exceeded 2,000 tons. Rubber exports declined sharply thereafter as indicated by the following tabulation:



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The Current Situation

17. Cambodian seaborne trade has continued to decline since September. Since 21 November, Kompong Som has been effectively isolated from Phnom Penh and the rest of the populated areas. The VC/NVA seized control of a key segment of Route 4 at that time, and the railroad link between the two cities has remained closed since April. Rice, timber, and rubber from other regions of the country no longer arrive at Kompong Som for export, and imports cannot be moved north from the port. Cambodia's inability to move petroleum products to the Phnom Penh area from the Kompong Som refinery has led to cancellations of crude oil deliveries from Saudi Arabia -- 30,000 tons in October and 28,000 tons in December.

18. There were slight increases in seaborne trade at Phnom Penh during October and November, but the resumption of attacks on Mekong shipping toward the end of November caused the situation there to deteriorate. By mid-December, the shortage of petroleum products for civilian use in the capital had become critical. Tanker deliveries during December accounted for only 15% of normal monthly consumption.

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19. These setbacks led to an announcement by the Cambodian government on 8 January of the creation of a *Zone Speciale Mekong* (ZSM) under General Saman to improve shipping security along the river. The ZSM, which has both Cambodian and South Vietnamese ground forces assigned to it, is to receive assistance from South Vietnamese naval forces as well as air support. Since the ZSM was created, four convoys have attempted the voyage to Phnom Penh. The first arrived safely on 17 January, but the quantity of petroleum products carried was small (about 1,200 metric tons against essential monthly needs of about 9,000 metric tons). By

24 January, two additional convoys had arrived at Phnom Penh -- with unspecified quantities of foodstuffs, ammunition, and petroleum products. A fourth convoy reached Phnom Penh on 29 January carrying approximately 4,000 metric tons of petroleum products including gasoline, diesel fuel, fuel oil, and aviation gas. Despite security measures by the ZSM including the use of gunboats and air cover, each of the first three convoys was subjected to Communist gunfire. All damage received, however, was superficial. Although these deliveries afforded some relief, civilian petroleum supplies in Phnom Penh, including fuel oil for power-plant boilers, remain critical.

20. Interdiction of transportation routes that link Phnom Penh with the sea also is causing the accumulation in the Phnom Penh area of large stocks of rice which the Cambodian government urgently needs to export for foreign exchange. Because Cambodia requires additional shipping space to take out these exports, premiums have been paid on imports to induce freighters to call at Phnom Penh. The government has even gone so far as to send 10,000 tons of rice on barges to Saigon for transshipment to the large freighter *Corviglia*.

21. Imports by air, river, and highway from South Vietnam have not compensated for the loss in seaborne imports and have served only to take care of essential military needs. Although the section of railroad from Thailand to Battambang is open, no significant quantity of goods has moved over it, principally because of a lack of Thai cooperation. Moreover, the road routes from Thailand have been too frequently subject to enemy harassment to have provided a viable alternative for handling Cambodia's trade.

### Conclusions

22. The volume of Cambodia's seaborne imports and exports declined by almost half from the first quarter to the third quarter in 1970, because of Communist disruption of transportation between

Phnom Penh and the outside world, the effects of military activity on rubber and timber production, and the virtual cessation of trade with former Communist trading partners. The decrease in imports involved sizable cutbacks in deliveries of crude oil, cement, and metals and was reflected in drastically reduced trade with Saudi Arabia and Japan.

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23. All of the principal exports -- foodstuffs, timber, and rubber -- declined substantially. There were no exports to either Communist China or North Vietnam after March and shipments to both Japan and Hong Kong fell sharply. Exports of petroleum products rose, however, and in the third quarter were more than 50% higher than the first quarter.

24. The decline in trade from the first to the third quarter occurred at both Phnom Penh (down 78%) and Kompong Som (down 35%). Following Communist attacks on Mekong shipping in April, Japanese ships, which formerly carried a significant part of trade up the Mekong, for the most part remained off of the river. Trade at Kompong Som during the second and third quarters was hampered by interdiction of the railroad leading out of the port and periodic harassment of certain key roads.

25. Cambodia's trade situation has worsened since the third quarter. There has been a critical shortage of petroleum for civilian use in the Phnom Penh area since mid-December. Large quantities of rice, the one commodity Cambodia is still in a position to export on a significant scale for hard currency, are cramming storage facilities. Hope for alleviation of both of these difficulties lies largely in the outcome of current efforts to keep the Mekong open and to reopen Route 4 to Kompong Som.

26. The outlook for a substantial restoration of traffic on the Mekong is uncertain. Communist

attacks on the limited amount of shipping on the river have grown in ferocity since they resumed in November 1970, and stepped-up protective measures have not yet proved completely effective. Cambodia is therefore finding it increasingly difficult to charter ships for this precarious route.

27. Success in the mid-January Cambodian/Vietnamese operation to clear Route 4 would probably lead to only partial restoration of normal trade with Kompong Som. The refinery could resume petroleum shipments to Phnom Penh, and some export goods could be moved to Kompong Som. As long as the VC/NVA retain the capability to interdict Highway 4 as well as most of the other major land routes, however, there will be only limited revival of economic activity.

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